

SECRET

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

Exempt from automatic  
downgrading and  
declassification  
25X1  
75-5582/A

CENTRAL INTELLIGENCE AGENCY  
WASHINGTON, D.C. 20505

8 APR 1975

MEMORANDUM FOR: Maj. Gen. George J. Keegan, Jr., USAF  
Assistant Chief of Staff for Intelligence  
Department of the Air Force

SUBJECT : Intelligence Reporting Related to the  
F-16

1. Thank you for your letter of 27 March regarding reference to F-16 costs in a NIB article. I share your desire to avoid misinterpretation of data in our intelligence publications. Of course, the NIB article in question carries the caveat, NO FOREIGN DISSEM, and therefore should not jeopardize negotiations currently underway.

25X1

4. Meaningful intelligence reporting and estimating often require some reference to US capabilities, policies,

25X1

SECRET

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

25X1

SECRET

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

25X1

and programs. You are quite right in arguing that such references should be based on accurate and authoritative information. The article in question was, of course, coordinated with DIA. Nevertheless, rest assured that when it appears necessary we shall turn to the Air Force, as well as other appropriate authorities, to acquire and authenticate such information when it is needed to illuminate intelligence reporting.

/s/ DMI

W. E. Colby  
Director

Attachment:

Excerpt from News Briefing  
by Secretary McLucas

-2-


SECRET

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

25X1

MEMORANDUM FOR: *HR*  
*file DoD*  
The Director

Attached for your signature is a proposed response to a General Keegan complaint about a US aircraft price we used in a NIB article. In this case Keegan is out of line--we used the price the Secretary of the Air Force gave in a press conference and the article was coordinated with DIA.

  
Ed Proctor

7 April 1975  
(DATE)

FORM NO. 101 REPLACES FORM 10-101  
1 AUG 54 WHICH MAY BE USED.

(47)

Attachment:

Excerpt from News Briefing

by

Secretary of the Air Force, John L. McLucas  
at the Pentagon  
Monday, January 13, 1975

- Q. What is the cost per copy that you anticipate based upon a conservative estimate of how many that you are going to sell?
- A. Of course, if you ask how many do we expect to sell, we think that the market for this aircraft is about 2500 to 3,000 aircraft?
- Q. Is that in addition to the 650?
- A. That would include the 650. The unit fly away, is that the question that you asked about the cost?
- Q. Yes.
- A. For a buy of 650 aircraft which is the current Air Force plan, we expect the unit fly away cost of \$4.6 million.

SUBJECT: Memo to General Keegan on Intelligence Reporting  
Related to the F-16

CONCUR:

25X1

[Redacted Signature]

Deputy Director for Intelligence

7 APR 1975

Date

Distribution:

Orig. & 1 -- Addressee  
1 -- DCI (w/cy of basic)  
1 -- DDCI (w/cy of basic)  
1 -- ER (w/basic)  
1 -- DDI (w/cy of basic)  
2 -- D/OSR (w/cy of basic)  
2 -- SEC (w/cy of basic)  
1 -- NIO (w/cy of basic)  
1 -- RAD (w/cy of basic)  
1 - 1C staff

25X1

OD/OSR:

[Redacted Signature]

(4 April 1975)

UNCLASSIFIED

CONFIDENTIAL

SECRET

# EXECUTIVE SECRETARIAT

## Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	S/MC				
4	DDS&T				
5	DDI	X			
6	DDA				
7	DDO				
8	D/DCI/IC		X		
9	D/DCI/NIO		X		
10	GC				
11	LC				
12	IG				
13	Compt				
14	D/Pers				
15	D/S				
16	DTR				
17	Asst/DCI				
18	AO/DCI				
19					
20					
21					
22					
SUSPENSE		Date			

### Remarks:

Please bring to DCI's attention as appropriate.

A/Executive Secretary  
04/01/75  
Date

STAT

25X1

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

Next 1 Page(s) In Document Exempt

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

NEWS BRIEFING

BY

SECRETARY OF THE AIR FORCE, JOHN L. McLUCAS  
AT THE PENTAGON  
MONDAY, JANUARY 13, 1975

SR/SEC

Secretary McLucas: Ladies and gentlemen, I am here today to announce the selection of the F-16 of General Dynamics Corporation, as the winner in the competition which we conducted for our Air Combat Fighter.

As you know, this airplane goes back to the lightweight fighter prototype program which was begun back in April, 1972. At that time we initiated a program which we expected to run for about two years, and to culminate in a flight test of about a year, and which would demonstrate a number of advantages in advanced fighter concepts through a prototype program which we did not have the confidence at that time to go directly into production with. We wanted to do the lightweight fighter program then to give us that confidence and to give us the option of later making a decision to put a lower-cost fighter in the inventory if we decided that that was a good thing to do. That program went extremely well, as you know.

In April, 1974, we made a definite decision to put the air combat fighter in the Air Force inventory. We felt that it would be good to have in the high-low mix of aircraft something like the air combat fighter and we felt that this airplane which would be useful to the U. S. Air Force would also be attractive to our Allies. So, in April of last year, as I said, we made that decision, the Secretary of Defense announced that decision.

The flight test program that was conducted on the two lightweight fighters went extremely well. Both of the aircraft performed very well. Both of the contractors did an excellent job of supporting the prototype test program. Both of the engine companies did a good job of supporting the aircraft companies.

On the other hand, there were significant differences in the performance of these prototypes. The YF-16 had many advantages in performance over the YF-17. It had advantages in agility, in acceleration, in turn rate and endurance over the YF-17. These factors applied principally in the transonic and supersonic regimes. There were other minor advantages to the YF-16 over the YF-17. These factors included better tolerance of high G because of the tilt back seat, better visibility and better deceleration. In any case, the YF-16 met all the performance goals that we had established for it. The YF-17, while performing very well, did fall short of some of these goals. In the sub-sonic mission areas, the YF-16 and YF-17 were not as far apart as they were in the supersonic. This is indicative of the fact that the YF-16 had lower drag and was a cleaner design.

Now, of course, our selection is not based on the results of the prototype program alone. We had to evaluate the proposals which came into us which were requested last September and which we received in November. In evaluating those proposals, we of course took into account the fact that many of the parameters were demonstrated in the prototype program.



Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

but we also took into account the changes that we evaluated those and we used the prototypes as a measure of whether we thought those proposed changes could be achieved. So in the evaluation we took into account, first, the prototype experience; second, the technical proposals that came in. Then we looked at operational factors, life cycle costs, and how difficult we thought it might be to transition these prototypes into a production configuration.

Based on all of that, I, as the source selection authority, decided that the YF-16 was a proper choice for the Air Force.

I received a final briefing from General Stewart, who heads up our Aeronautical Systems Division, at Wright Patterson Air Force Base, on the 7th of January. I had been in touch with General Stewart many times before that final meeting, and, of course, in evaluating the results that I received from General Stewart on the 7th of January, I took into account the views of the Chief of Staff and other senior people in the Air Force. All of us agreed that the YF-16 was the right choice for the Air Force. Following that I had a number of meetings with the Secretary of Defense and his advisors, and I obtained the concurrence of the Secretary of Defense and the Deputy Secretary in the choice that was made.

Simultaneously with this announcement here today, and one reason why we chose this day, Mr. Frank Shrontz, who is the Assistant Secretary of the Air Force (I&L) is announcing to our consortium friends in Europe, of this selection. Mr. Shrontz is in Brussels where he is meeting with the consortium members to explain to them the factors which were used in our source selection. As you know, the consortium members did participate in the evaluations that were conducted here at Wright Patterson Air Force Base over the last several months. Also, we had Navy participation. We had a number of Navy technical people at Wright Patterson with us. We had a Navy pilot fly the aircraft. Of course, in the meetings that we have had here in the Pentagon, the Navy has participated. Some time back when it was decided that the Navy might be able to derive an aircraft for its own use from one of these two prototype programs, we, the Air Force, sent out additions to our requests for proposal, and incorporated the Navy's material and asked the contractors to respond to the request to derive the best aircraft they could from their existing Air Force proposals for submission to the Navy. We passed that material to the Navy.

In summary, I would like to say that the YF-16 is our choice as a winner of this competition because of first the performance. The performance of the YF-16, in our opinion will greatly exceed the performance of the YF-17. Second, because of the cost. There is a savings in the R&D phase, a savings in the procurement phase, and a life cycle cost savings, if we go with the YF-16.

Third, because of confidence in the transition. Because the YF-16 was able to demonstrate essentially all performance parameters that were called for, we feel a very high degree of confidence in transitioning that aircraft into production. At the same time, if we had gone with the YF-17, there were considerably more changes that would be involved to take the YF-17, into a production configuration for the YF-17. As you know, we already have an engine, the F-100 engine which is used in the F-15 aircraft, which can be used with no change in the F-16. This is an additional reason why it is cheaper for us to go this way, and also an additional reason why we can go this way with a higher degree of confidence than if we had to develop an engine. Even though we don't anticipate problems, there is an element of risk when you take on such a program. Finally, we have for reasons of

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

*BEST COPY*

*AVAILABLE*

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

...with the F-15, reason to believe that money will be saved in the life cycle cost by going with the YF-16 which uses the F-100 engine.

I am glad to entertain your questions.

Q: What is the cost per copy that you anticipate based upon a conservative estimate of how many that you are going to sell?

A: Of course, if you ask how many do we expect to sell, we think that the market for this aircraft is about 2500 to 3,000 aircraft?

Q: Is that in addition to the 650?

A: That would include the 650. The unit fly away, is that the question that you asked about the cost?

Q: Yes.

A: For a buy of 650 aircraft which is the current Air Force plan, we expect the unit fly away cost of \$4.6 million.

Q: What would be the unit program cost under a buy of 650?

A: \$6.7 million is the cost per airplane for the 650, the program cost.

Q: If you took that out to 3,000 aircraft what would be the program cost?

A: I don't have that specific number for that. You can make an estimate that we would continue to get savings by extending the program length, but history would show that some of those savings would be achieved, and, on the other side, you would probably think of improvements you want to make to the aircraft.

Q: You said the members of the Consortium participated in the evaluation. Did they also have what you would call a vote in recommending which plane? And secondly, could you tell us whether the Europeans seem to be going along with this choice or whether there is disagreement with it?

A: I don't think you could say that they had a vote. I would rather say they were with us throughout. Their views were taken into account and they served as advisors to us throughout the process.

Q: Did they indicate a preference for one aircraft or the other?

A: They did not, to my knowledge, at any time indicate a preference. I specifically talked to the senior members of the team about that subject. They told me repeatedly that the principal criteria they were concerned with was to buy the same airplane that the U.S. Air Force bought, if they indeed decided to buy an airplane and decided to go U.S.

Q: Can you tell us some costs again how the YF-16 costs compared with those of the 17? You referred to the cost benefits in your statement.

A: Yes. On the fly-away costs we expect about an 8 percent cost advantage. On the R&D costs, the principal difference is the development of a new engine which exceeds \$300 million.

Q: In other words, you are saying the 16 was 8 percent cheaper than the 17; is that correct?

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

(MORE)

A: The figures I have are \$4.6 million fly-away (YF-16) and between \$4.9 and \$5 million fly-away for the 17.

Q: How about the program costs?

A: The program costs, \$6.7 for the 16; \$7.7 for the 17.

Q: Mr. Secretary, did you say that you are confident that NATO countries will buy this aircraft?

A: I did not say that. We are hopeful that NATO countries will buy the aircraft. When we say the market is 2500 to 3,000, we are including our hopes that some NATO countries will buy it.

Q: When you raise that figure, Mr. Secretary, how wide a market within that figure would be NATO's part of it?

A: The planning that we have been doing with the four countries of the Consortium is for a 350 aircraft buy,

Q: Mr. Secretary, could you give us some rough idea how much the plane will cost the NATO countries based on that 350 buy which I assume is what they have to base their price on?

A: Of course, the date for final submission of data to the NATO countries has not yet arrived. In round numbers their prices would be roughly the same as ours, plus the differential due to the fact that they intend to produce the airplane on two different production lines. Of course, the production runs would be much shorter and they would have to buy tooling. In addition to that, we must pro-rate the R&D costs of the airplanes.

Q: In other words, the net costs of the airplane would be roughly the \$6.7 if you would pro-rate the R&D?

A: As I say, we have not yet reached the cut off date on when we price out, exactly, to the Consortium what they will have to pay for these aircraft.

|| Q: Is that \$4.6 million a settling price that we are talking about? ||

A: That is the target.

Q: What is the ceiling, if you go above the target price?

A: We do not have a ceiling price. We do not have under contract the total of the 650 aircraft, so, I cannot quote you a figure on that. That is the most probable cost, to use our terms.

Q: In other words, it is safe to say, is it not, Mr. Secretary, that would be the minimum price, the \$4.6, and there would be some elasticity on a ceiling price contract?

A: I probably did not point out, when I say in the prices here I am talking about 1975 dollars. Of course, your guess about inflation is as good as the next person's.

Q: Mr. Secretary, when you say 1975 dollars, what do you expect would be the total expenditure over the life of the program for these airplanes?

A: For a proposed Air Force buy of 650 aircraft?

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

Q: For the entire expected 2500 to 3,000 planes, how much money would be involved in '75 dollars?

3.

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

achieve our objective of selling 3,000 airplanes.

Q: What would you say for the 650 airplanes, what is the total on that?

A: I gave you the program costs; I believe. It is \$4.3 billion which is the sum of the R&D amount, \$584 million plus the production amount for 650 aircraft of \$3.7 billion. That gives a total of \$4.3 billion, I believe.

Q: Mr. Secretary, does the Navy concur in your selection taking into consideration the stipulation by Congress that the Navy build a Navy air combat fighter based upon the Air Force selection?

A: The Navy has been involved in all of the steps that we have taken. As I said, they were with us at Wright Patterson Air Force Base. They had a pilot who flew the aircraft. They have sat with us in preparing the material that would go out to the bidders when we re-solicited them to include the Navy in bids. The Navy, on the other hand, has not completed their evaluation. So, the Navy could be said to have concurred in the sense that they have not said, "No, we think this is a mistake." What they have said is, "Yes, we agree that the Air Force should go ahead." We have not seen any evidence that the Air Force should not go ahead.

Q: Would the Navy purchase increase the projected number of 2500 to 3,000 aircraft or is the Navy included in that projection?

A: The Navy is included in that.

Q: How many Navy aircraft do you anticipate?

A: The Navy buy which has been anticipated is, I believe, 800 aircraft. But, I gave you a spread of 2500 to 3,000 and so. . . .

Q: You just said it was \$4.3 million final cost, before you said it was \$4.6.

A: \$4.3 billion program. (A \$4.6 million per unit fly-away cost).

Q: In the press release you talk about 15 engineering development aircraft. When you use the number 650 is that all production aircraft or is that the prototypes and 15 development aircraft?

A: The 650 is the proposed buy of production aircraft.

Q: Mr. Secretary, when do you anticipate the Navy will make a decision after weighing the information you provided for them? and isn't it true that if the Navy does choose the 16, they will have to re-engine it with either the 401 (inaudible) to accomplish the Navy Mission at sea?

A: I don't know that I can say that definitively. The Navy has certainly been looking at those alternatives. I believe the Navy does not plan to make a final decision for a month or two. I think you should really ask the Navy that question.

Q: Did the Navy ask you to delay your decision on the F-16?

A: No.

Q: Did the Secretary of the Defence ask you to delay your decision?

A: No, the Secretary of Defense reviewed our decision. He considered whether it should be delayed to take account of the Navy interests and decided in the negative, that it should not be delayed.

(MORE)

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

So, we are taking an announcement that we proposed to announce it when we laid out the program.

Q: Is it true that Mr. Clements had decided on a three weeks' delay, Mr. Secretary, to give the Navy time to evaluate?

A: Mr. Clements considered such a delay. All that I can say is that in all the deliberations it came out that we were not asked to make a delay.

Q: Mr. Secretary, has it been clear from the start of the European participation in this program that they would not have a voice in the Air Force source selection?

A: I don't want to say that they did not have a voice. The Consortium members sat with us. Their views were heard at every stage and their views were taken into account. You asked me if they voted. There was no vote taken.

Q: Do you think the fact the 16 is a one engine plane will hurt you in foreign sales opposed to the 17, a two engine plane, some foreign countries have indicated a preference for?

A: None of the countries that we've been working with has indicated a preference one way or the other. There are four such countries in the Consortium and those countries had many opportunities and I have asked them specifically on this question and none of them have chosen to tell me they prefer one or the other. They have stuck with their line and I believe that the important criteria to them is which way does the U. S. Air Force go.

Q: How does the French Mirage F-1 enter into this consideration?

A: I am afraid you must ask the Consortium.

Q: People are already saying the fact that General Dynamics is headquartered in Texas was influential in this decision. Would you want to comment on whatever political input or considerations might have gone into your decision?

A: All I can say on that is that we made the selection on the basis of the merits of the aircraft and the proposals, and what aircraft we felt would result from those proposals.

Q: Has the Air Force decided to turn the prototypes back over to Northrup on the 17, or have you refused to do so?

A: We have not refused to do so, we just have not planned that far.

Q: Mr. Secretary, do you see a possibility here that both planes will go into production?

A: I think that is a possibility. But of course that is a decision to be made by someone other than the Air Force.

Q: Mr. Secretary, did you say that you selected this date some time ago to make this announcement?

A: Yes.

Q: Why did you?

A: Because this was the time that we had set up for Mr. Shrontz to go to Brussels to confer with the Consortium members. He went over there last night. He is over there today and he will be there for two or three days to meet with and to elaborate on the considerations that were involved in this.

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

(MORE)

Q: This date was selected six months ago?

A: It was not six months ago. I am not sure I can tell you when that date was finalized.

Q: Mr. Secretary, what do you think the chances are of all four countries in the Consortium buying the plane? How would you compare that with the chances of two or three countries buying it?

A: That is pretty speculative. We have high hopes that all four countries will join us in this procurement.

Q: You have less hopes for Belgium than you do the other three?

A: I don't want to get into speculation about it. I think that those countries ought to make that decision. We hope that our offering receives a good hearing.

Q: If all four do choose the U.S., which two countries will have the production line?

A: The Netherlands and Belgium.

Q: (Inaudible)?

A: It will be roughly 50-50.

Q: Mr. Secretary, the price of General Dynamics' stock last Friday bounced up by 10 percent which means if you are a quick speculator you could make a quick buck. Are you investigating to see whether word leaked out from your staff on the Air Force decision which in turn led to this speculation on the stock market?

A: I don't have any such investigation going on.

Q: Mr. Secretary, you said in discussing it that none of the countries indicated a preference one way or the other. Were you referring to the planes themselves or to the single engine versus twin engine argument?

A: Both.

Q: In both cases, in words, they did not. . . .

A: I am sorry. Let me start over. We were talking twin engine versus single engine. I asked these people if that would be a factor in their -- did it make a difference to them. I was told, that is not the question. The question is which way does the U.S. Air Force go.

Q: The production facility in Belgium. I can't think of the name of it now, but isn't it the subsidiary that makes the Mirage?

A: We will have to get an answer to that.

Q: How would you compare the American plane cost to what you expect the cost of the Mirage to be?

A: We think that our costs will be very competitive. There has been a lot of talk about the French costs. We are not quite sure what their final presentations will be to the Consortium. I suspect that the cost will not be the main factor. I would think that offset arrangements, etc. are more dominant.

(MORE)

Q: Does the F-16 have a range that would make it competitive with the F-15?

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

A: Does the F-16 have a range to make it competitive? Well, on those missions where total ordnance carrying is not at stake, it would be competitive . . . I don't want to say competitive, it would be in the same range.

Q: You mean without the payload, without a certain amount of armaments?

A: Yes.

Q: In the course of the tests, Mr. Secretary, we were being told that the capabilities in terms of the performance of the two planes, was almost identical and it was very difficult to make a choice on just performance. You indicate today there is a gap larger than I anticipated, anyway, in terms of supersonic performance. It leads me to wonder about the political side of it, in terms of the similarity to the F-15 engine. Does that make the F-15 cheaper for the Air Force to sell to Congress? Does it make it easier to lift the F-111 out of General Dynamics? Were those things considered?

A: I think that any information you have received that the airplanes were essentially identical in performance in the prototype evaluation was not correct. Because at every stage, I believe, that the YF-16 was showing up better. Of course, it was in the air earlier. So, it is hard for me to believe that there was a stage where you were being told by anyone in an official capacity that the performance was different from what I am telling you.

Q: Does this decision effect your long-range plan for the F-15?

A: Let me answer it this way. We have not changed our plan to buy 729 F-15's. We expect this airplane to be complementary to the F-15. It may be, way out at some point beyond our 729 aircraft, that we would decide to buy some more light-weight fighters instead of some more F-15's. But certainly within the program years and the program that we talk about, we have not made any change in our plans to buy the F-15.

Q: What weapons and avionics systems will be incorporated (inaudible)?

A: It will have the 20 millimeter gun and it will carry the AIM-7 Sidewinder missiles. It will have provisions to carry the Sparrow AIM-9, but we have not decided to include this.

Q: (Inaudible)?

A: Certainly we expect the Consortium members to go with us on the F-16. That is what they have told us that they will do if they buy U.S.

Q: But will you discourage Northrup from immediately and abruptly intensifying sales pitch in Europe?

A: I do not know whether that would be necessary. We will have to wait and see how the developments go. And we think the Europeans agree with us, we are very sold on the idea of the standardization in NATO, and an attempt to divert the Europeans into something other than standardizing with the Air Force would be considered counter-productive.

Q: West Germany expressed a desire for a twin engine aircraft in the light-weight fighter category, as well as Iran and a couple of other countries. There are several nations right there that could buy that aircraft. The key is whether you let the prototypes go back to Northrup. Without a prototype they have no sales program. When do you anticipate in making that decision?

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

(MORE)



A: I think we will make it as the questions come up. I think that although as you say, some countries have expressed interest for a twin engine aircraft, I don't know that there are any countries that would say that no matter what, we will still buy a twin engine aircraft.

I think they will do what we did, we'd take everything into account in that decision, at least I hope they would.

Q: What is the present unit cost for the F-100 engine for the F-15? What has been the cost record of that in the past few years and what do they expect the unit cost will be now that you are going to use it in the F-16?

A: On the 650 aircraft buy we would expect for the engine to pay about \$1.35 million. That is '75 dollars and, of course, we are not buying them in '75, that is a few years hence. This is lower than we are paying for the engines now, but that is considerably down the learning curve.

Q: I understand. I am just trying to get some figures to establish what your purchase of the YF-16 is going to do on your price of the F-15.

It is going to lower your unit cost on the F-100 engines, isn't it, about \$300,000 per engine?

A: We estimate that the savings to the F-15 program by the larger buy of engines to be about \$100 million in the procurement phase.

Now we expect an additional savings in the support phase of life cycle cost at about the same amount.

Q: Mr. Secretary, is there an inflation clause in this contract?

A: Yes, we have included a 6 percent annual inflation in the contract. That is for pricing purposes. We have also included a statement that we will negotiate -- or rather that we will establish after the fact, based on the economic indices what the actual inflation factor to be factored in will be.

Q: What is the status of the avionics now?

A: The principal selection yet to be made is radar. As you know, we have a competition going on between Hughes and Westinghouse. We would expect to have a flyoff between those two radars beginning late this year. We will start fly-off tests this summer and by the end of the year we should be able to select one of these two, Hughes or Westinghouse.

Q: (Inaudible) GFE?

A: Yes.

Q: So how much would the fully equipped aircraft go for?

A: I am including that in the cost that I gave you.

Q: Mr. Secretary, how long will the engineering development phase take? When will you expect this to be completed? Why is it assumed, as it seems to be, that a go-ahead production decision will be made?

A: What was the last part of your question?

Q: It seems to be assumed that at the end of the engineering development phase, that you will make a production decision -- a favorable one -- and I asked, why is it assumed that is the case? In other major aircraft programs recently you have been emphasizing the fact that this is going to be a go, no-go production decision.

Approved For Release 2005/12/24 : CIA-RDP80B01495R000200160024-0

(MORE)

A: You have to assume something. We assumed that if the prototype demonstrates out at parameters we ask it to demonstrate, that if you make slight changes in that to go into full scale development that the full scale development article you will also meet your objectives.

Q: Mr. Secretary, how long is that engineering development phase?

A: About two years.

Q: You gave figures of up to 3,000 in sales, and you said figured into that the Navy will buy 800 and the Air Force 650. That leaves 1550 sold overseas?

A: Mr. Beecher here has just reminded me we have not included the 800 Navy into the original estimates.

Q: So your overseas sales would be 2,000 and up?

A: That is right.

Q: Mr. Secretary, could you clarify that?

A: We gave a figure of 2500 to 3,000.

Q: That does not include the 800?

A: It does not.

Q: So that is 800 on top of that?

A: If the Navy chooses to go that way. We don't know yet.

Q: What do you think the chances are the Navy will really select the Air Force plane, find it is adaptable to its use?

A: I don't know that, I could give a good answer on that. I think you had better ask the Navy.

Q: Mr. Secretary, along those lines, could you give us some insight, is it the view of the Secretary of Defense's office in general, that they would prefer only one plane to be built? In other words, for the Navy to build some variant of this airplane. Is that the general feeling?

A: I think if everything else was equal the answer to that question would obviously be yes. I believe the Secretary of Defense does not want to ask the Navy to buy an aircraft which he is not convinced meets the Navy mission requirements. The evaluation has not proceeded yet to the point where we are sure that either of these aircraft is in that position.

Q: Mr. Secretary, you said the engineering development phase would run about two years. That means the contract you are letting for the small number of aircraft now, these are the only aircraft of this type built for the next two years?

A: That is right.

Q: You have said the cost to the Consortium countries will be roughly the same as ours. You were referring to the program costs, weren't you? Is it safe to say it will go about \$6.7 million per plane, for their 350 planes?

A: The figure would not be radically different from that. But I am saying that we have not yet completed our negotiations with them and I do not think we should get too specific about details.

Q: Mr. Secretary, you talked about 2500 to 3,00 aircraft. The Secretary of Defense's office has had a proposal for some time now to go with both aircraft and offer them for sale abroad figuring 1,000 YF-17's to some nations that prefer a twin engine aircraft, and 1,000 YF-16's to other nations, and the possibility that the Navy would go for a twin engine aircraft, that if you sold 1,000 each, then you would not get any more of a benefit to go for the single aircraft? There is a crossover point. That decision as of a week ago is still a prime consideration.

Is it still being considered if the Navy goes with the YF-17?

A: The question was a little too long for me.

Q: What I am really saying, if the Navy goes with the 17, the Defense Department would then produce both aircraft?

A: That is a good assumption. If the Navy goes with the F-17, we would have them both in production.

Q: There is supposed to be an internal Air Force estimate for the purchase over more than a 10-year period, of nearly 1400 of those air combat fighters?

A: As I say, we have a planning figure of 650. That we consider a minimum buy. We have talked about a buy of 1,000 as being a reasonable number. We think it is purely speculative to go much beyond five or six years in our planning. If you look at the F-4, you know we never had any plans to buy as many as we did, but the same kind of a thing could happen here.

Q: 650 over a five-year period?

A: That's right.

Q: Beginning two years from now?

A: That's right.

Q: One last question. One thing that I am not clear on, will the Navy decision pre-date the European decision? You say the Europeans were expected to make a decision within 90 days. Do you anticipate the Navy will choose its fighter first, or are the Europeans waiting for the Navy decision?

A: I don't know that there is any connection. They seem to be more or less simultaneous, but I don't know that they are connected.

- E N D -

MEMORANDUM FOR: DDI

Ed,

Sec esp pp 3+4.

Not

Please return to SEC (Chet  
Richards). Only copy.

*[Signature]*

7 April '75  
(DATE)

FORM NO. 101 REPLACES FORM 10-101  
1 AUG 54 WHICH MAY BE USED.

(47)

*copy returned.  
This is for your  
retention*